

TEMPLE &
WEBSTER
GROUP

H1 FY18 Results

Mark Coulter CEO
Mark Tayler CFO





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CEO Update

Mark Coulter CEO



H1 FY18 Highlights: Phase 1 of the turnaround is complete

H1 Financial Performance

- H1 Net Loss After Tax & EBITDA improved by 84%
- Near break-even Q2 (EBITDA loss of \$150k)
- H1 Revenue of \$34.4m
- H1 Cash Flow positive with closing cash of \$8.8m

Growth platform in place

- All businesses successfully integrated, maintained market leadership position
- Improved margins and cost base show a path to profitability
- YoY Revenue growth 1 Jan to 15 Feb of 21% (first like-for-like comparative period)

Award winning offer

- Clear strategy around range, inspiration and service
- 2017 Home & Garden Category Award Winner, ProductReview.com.au Awards

Growing customer base

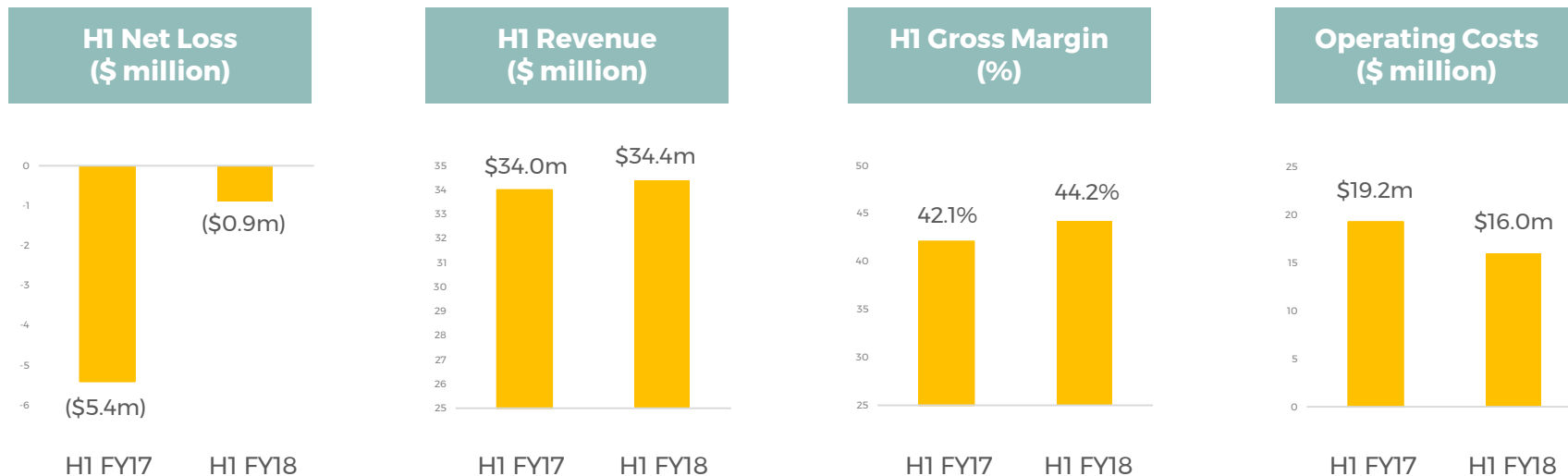
- Active customers are growing, driven by both new and repeat customers
- Revenue per active customer and conversion rate both increasing
- Customers are profitable in Year 1
- Trade and Commercial division growing strongly

H1 Key Launches

- Click & Collect
- Trial showroom
- Payment options: Afterpay & Zippay

H1 FY18 Financial Highlights: H1 loss improved by 84%

Bottom line improvements have been driven by margin growth and cost base initiatives, while maintaining revenue base. Business now has a strong platform from which to grow.



Revenue growth between H1FY17 and H1FY18 masked by the Milan Direct consolidation (Dec-16). Like-for-like revenue growth only transparent from this quarter onwards (Q3FY18)

The underlying growth rate estimate provided in October 2017, which normalised for this consolidation, has been validated by year-on-year revenue growth 1 Jan to 15 Feb of 21% (first like-for-like comparative period).

Growth platform in place: We are still the online market leader

Page impressions (MONTHLY)

11m+



Website users (MONTHLY)

1.1m



Email subscribers (WEEKLY)

1.4m+



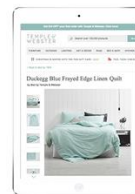
Social media reach

~400k



Active customers (LTM)

~175k



Product listings

~130k



Sub-categories

~200



Average time to dispatch

~2 days

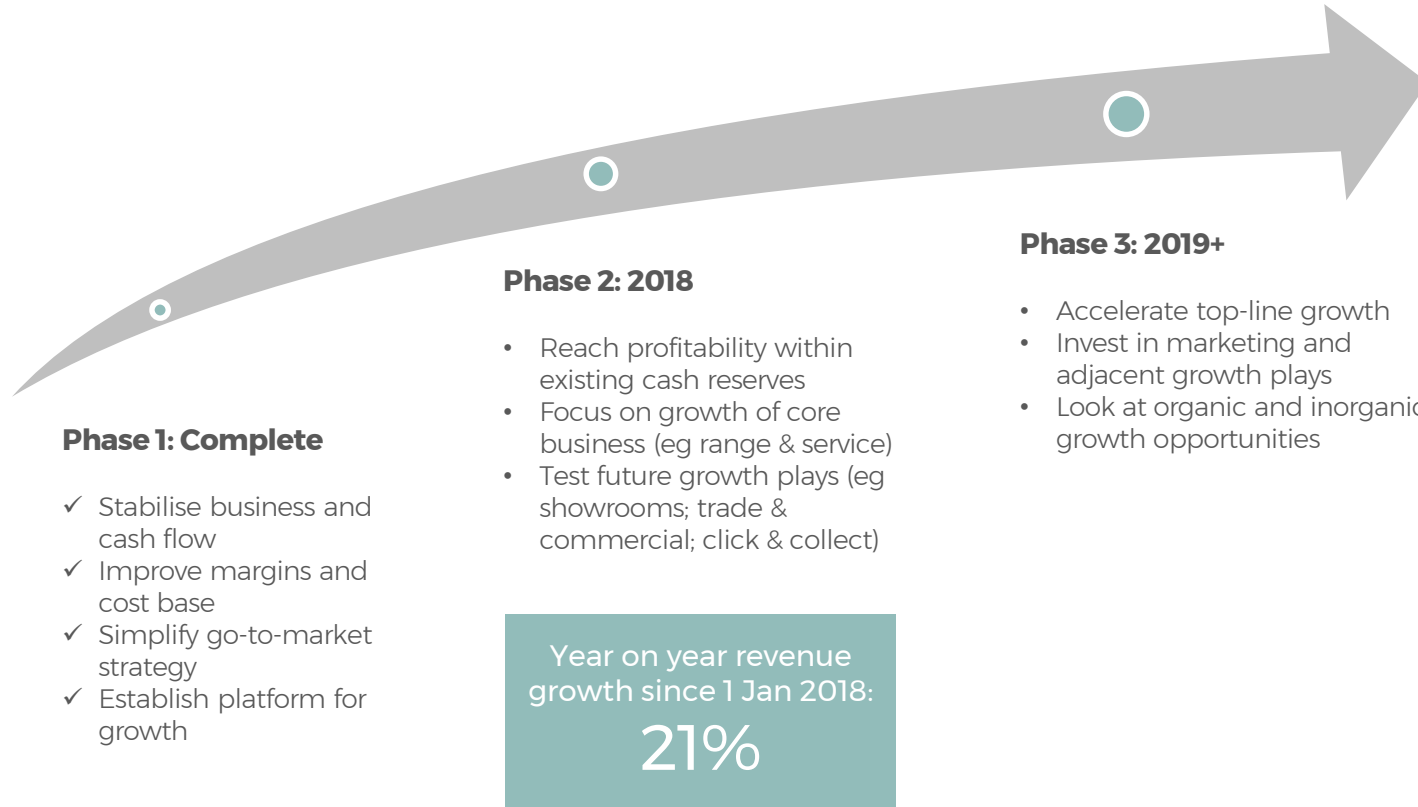
Growth platform in place: Our improved margins and cost base show a clear path to profitability

	FY16	FY17	H1FY18
Revenue	100%	100%	100%
Gross Margin	39.9%	42.7%	44.2%
Delivered Margin (after all distribution costs)	21.7%	27.6%	30.8%
Customer Service & Merchant Fees	4.9%	4.7%	3.2%
Marketing	19.4%	12.7%	11.9%
Contribution Margin	(2.6%)	10.2%	15.7%
Annualised Fixed Costs (people, property, tech, other)	\$13.3	\$13.4	\$12.4

Implies an annual break-even revenue target of \$79m

FY16 comparison is performed on a pro forma basis which includes the assumption that Milan Direct and ZIZO were part of the group but exclude any costs associated with the acquisition and restructure of Milan Direct and ZIZO and any costs associated with the Group's IPO.

Growth platform in place: The business is now re-entering a growth phase



Award winning offer: Our strategy is based on range, inspiration and service

Our Core Belief

- We believe everyone wants to live more beautifully.

Our Vision

- Our vision is to make the world more beautiful, one room at a time.

Our Mission

- Our mission is to deliver beautiful solutions for our customers' homes and work spaces, and for all of our other stakeholders including suppliers and shareholders.

Our Strategic Pillars

- We want to be famous for having **the largest range** in our category, the **most inspirational content** and the **best delivery experience & customer service**.
- Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing team.

Our Goal

- We believe if we can deliver the above, Temple & Webster will become the first place Australians turn to when shopping for their homes and work spaces.

Award winning offer: Customer satisfaction is at record levels



2017 AWARDS WINNER

- Australia's leading independent review site
- Awards based on highest customer satisfaction
- Number 1 out of 346 Home & Garden Shops in 2017
- Average star rating: 4.3 out of 5 from ~1500 reviews

Verified Customer

Impeccable customer service

★★★★★ 5 out of 5, reviewed on Jan 31, 2018

Verified Customer

Perfect purchase

★★★★★ 5 out of 5, reviewed on Dec 29, 2017

Verified Customer

Excellent quality product and excellent service

★★★★★ 5 out of 5, reviewed on Jan 23, 2018

Verified Customer

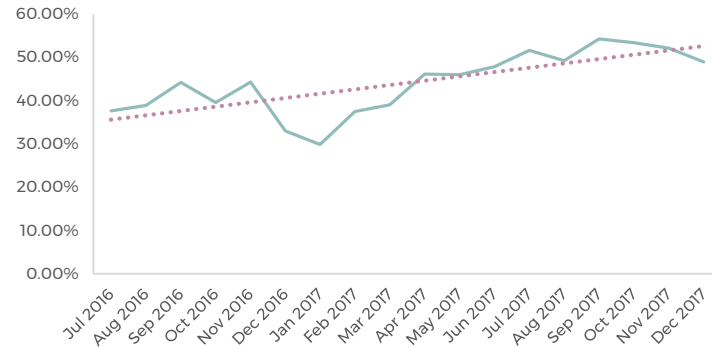
Always a great product and always amazing service

★★★★★ 5 out of 5, reviewed on Dec 22, 2017

NPS Improvement:

↑ 30%

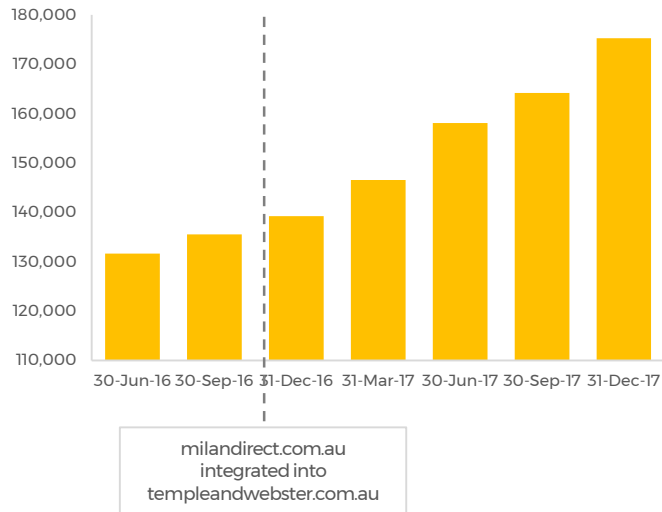
Net Promoter Score (score range: -100% to 100%)



Net Promoter Score Improvement measured as average H1 FY18 NPS vs H1 FY17 NPS

Growing customer base: Active customers are growing, driven by repeat and first time customer growth

Active Customers



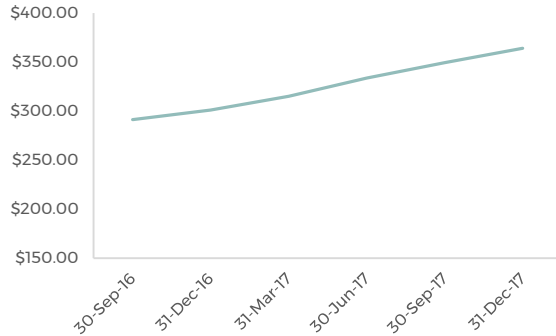
Repeat and First Time Orders



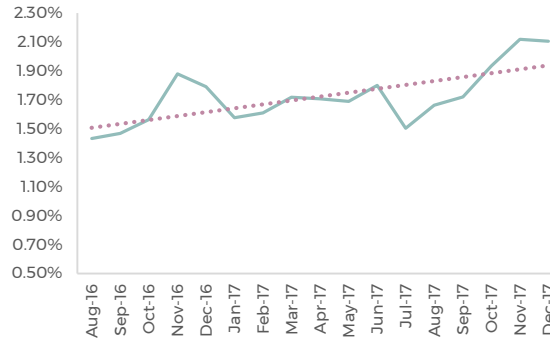
NB. Active customers are the number of unique customers who have transacted in the last twelve months (LTM). All numbers are Temple & Webster only and exclude Milan Direct.

Growing customer base: Revenue per Active Customer & Conversion rate is increasing, while customers are profitable in Year 1

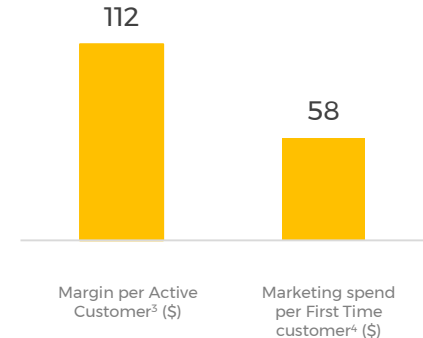
Revenue per Active Customer¹ (\$)



Conversion Rate²



Year 1 Marketing ROI



1. Revenue per active customer = Last 12 months revenue divided by Active Customers

2. Conversion rate = number of transactions divided by number of unique visitors (source: Google Analytics)

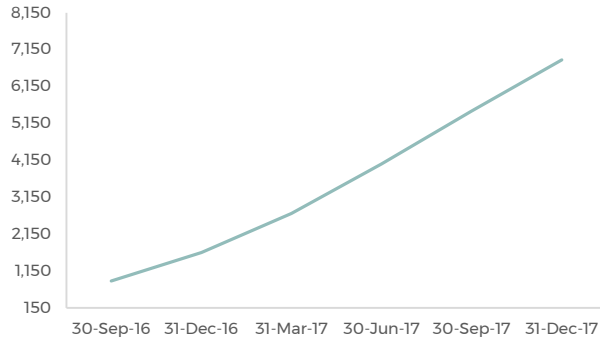
3. Margin per Active Customer = Revenue / Active Customer as at 31 Dec 2017 x Delivered Margin % for H1 FY18

4. Marketing spend per First Time Customer = Total marketing spend for H1 FY18 divided by number of First Time customers during H1 FY18

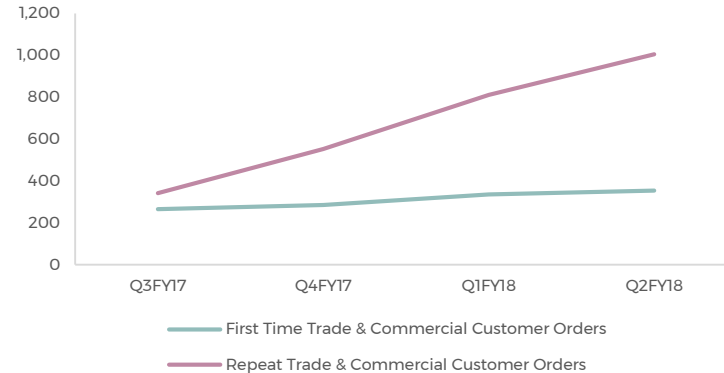
NB: All numbers are for Temple & Webster only and exclude Milan Direct

Growing customer base: Trade & Commercial accounts and orders are growing strongly

Number of Trade & Commercial Accounts



Repeat and First Time Orders



Trade & Commercial accounts have high repeat rates. Next phase is investment in new customer acquisition.

NB. Trade & Commercial accounts are accounts who have applied for and have been approved for our trade & commercial program.

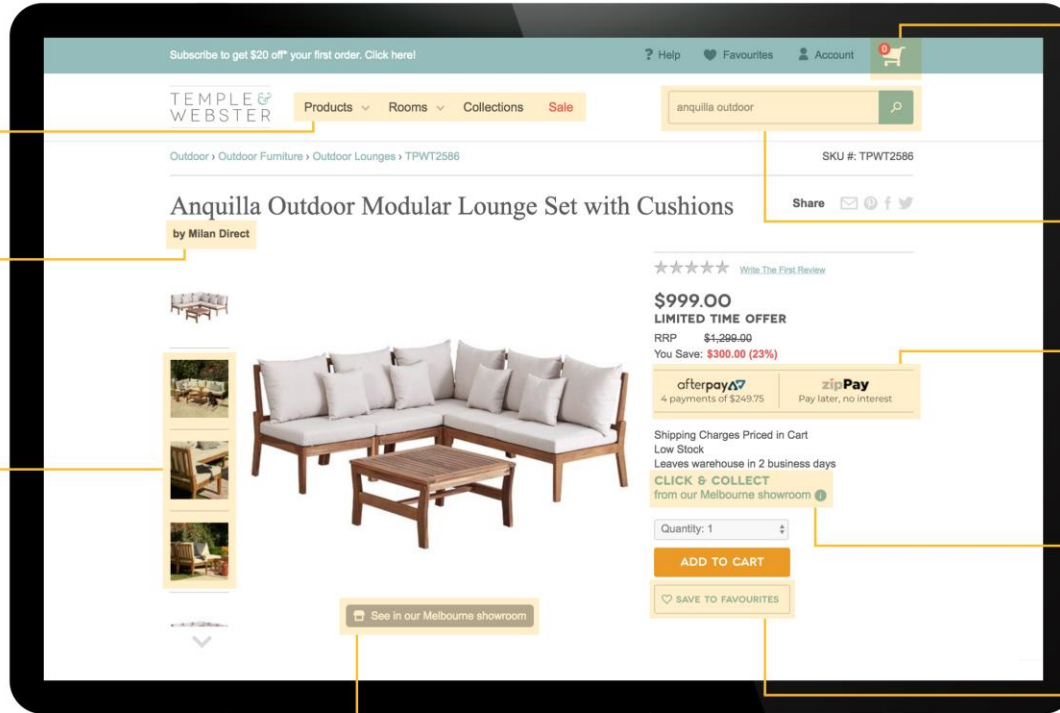
H1 FY18 Key Launches: We continue to innovate our offering

Implemented simplified navigation structure

Expanded private label range

Added proprietary lifestyle images for key products

Opened Temple & Webster trial showroom



Redesigned web and mobile checkout

Improved on-site search

Added payment options

Reduced delivery times nationwide and launched Click & Collect for Melbourne customers

Relaunched favourite board functionality

FY18 H1 Financial Results

Mark Tayler CFO



Profit and loss

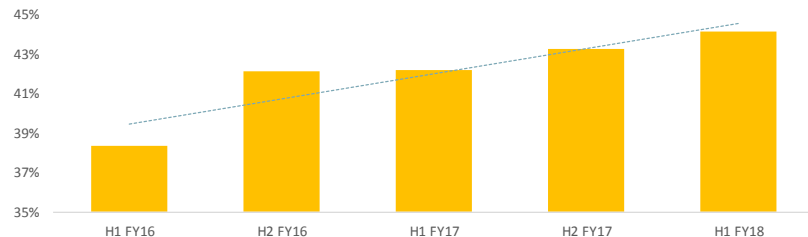
A\$m	FY16	FY17	H1FY17	H1FY18
Revenue	61.7	64.5	34.0	34.4
Cost of Sales	(37.0)	(37.0)	(19.7)	(19.2)
Gross Margin	24.6	27.5	14.3	15.2
Gross Margin %	39.9%	42.7%	42.1%	44.2%
Distribution	(11.2)	(9.7)	(5.4)	(4.6)
Wages	(12.1)	(12.4)	(6.9)	(5.7)
Advertising & Marketing	(12.0)	(8.2)	(4.7)	(4.1)
Selling and Admin Expenses	(4.1)	(4.0)	(2.1)	(1.6)
EBITDA	(14.8)	(6.8)	(4.9)	(0.8)
Delivered Margin % <i>(After Distribution Costs)</i>	21.7%	27.6%	26.2%	30.8%
Cost Base				
Cost of Sales	60.0%	57.4%	57.9%	55.8%
Distribution	18.2%	15.1%	15.9%	13.4%
Wages	19.6%	19.2%	20.3%	16.6%
Advertising & Marketing	19.4%	12.7%	14.0%	11.9%
Selling and Admin Expenses	6.6%	6.3%	6.3%	4.7%
EBITDA	(24.0%)	(10.5%)	(14.4%)	(2.3%)

- EBITDA loss of \$0.8m vs a loss of \$4.9m last year, an improvement of 84% YoY
- Gross margin up 2.1 percentage points with delivered margin (after distribution costs) up 4.6 percentage points YoY
- Operating costs down \$3.2m or 17% YoY
- Revenue growth between H1FY18 and H1FY17 masked by the Milan Direct consolidation (Dec-16). Like-for-like revenue growth only transparent from this quarter onwards (Q3FY18)
- The underlying growth rate estimate provided in October 2017, which normalised for this consolidation, has been validated by year-on-year revenue growth 1 Jan to 15 Feb of 21% (first like-for-like comparative period).

EBITDA is a non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Company's performance. FY16 comparison is performed on a pro forma basis which includes the assumption that Milan Direct and ZIZO were part of the group but exclude any costs associated with the acquisition and restructure of Milan Direct and ZIZO and any costs associated with the Group's IPO.

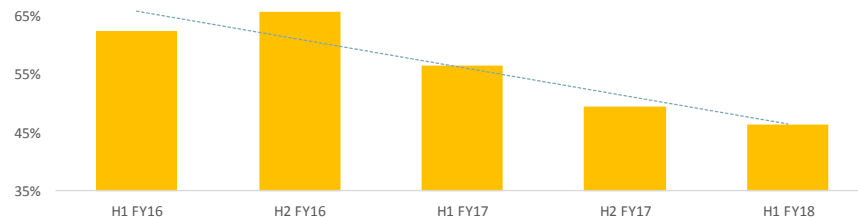
Operating costs and margin levels improving as we scale

Gross Margin %



- Increases in gross margins have been predominately driven by private label (owned inventory) which continues to track at ~20% of sales with margins significantly higher YoY as a result of:
 - better terms with suppliers as a result of scale benefits of being the online market leader
 - better buying decisions resulting in less clearance activity of aged/overstocked lines

Operating Costs to Sales %

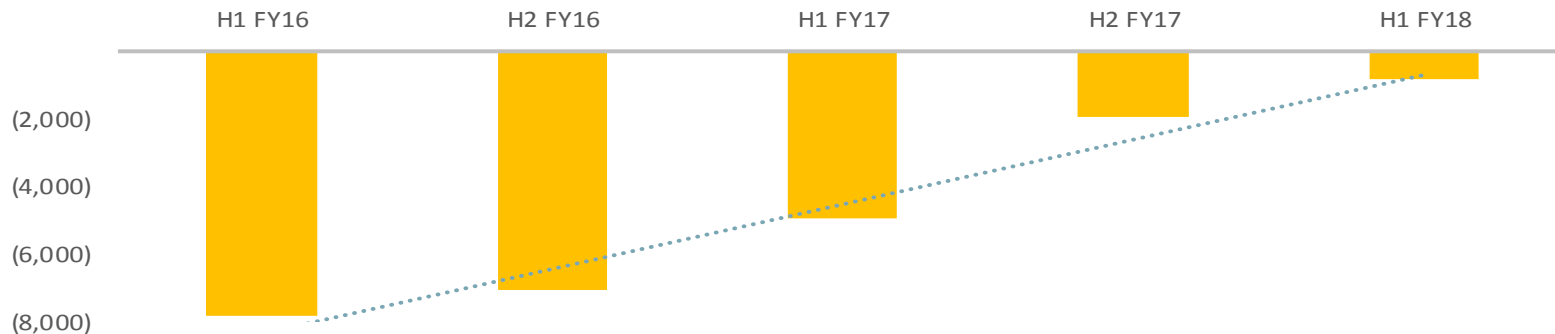


- Wages are 17% lower for the half YoY as a result of realising the full benefit of our offshore operations and Milan Direct integration
- Advertising and marketing costs are 13% lower for the half YoY as a result of increased efficiency from single brand strategy
- Selling and administrative costs are 24% lower for the half YoY as a result of fixed cost benefits from the Milan Direct integration (property, technology etc.)
- Distribution costs are 15% lower for the half YoY due to reduced warehousing storage costs as a result of improved stock turns and full benefit of renegotiated 3PL agreements

FY16 comparison is performed on a pro forma basis which includes the assumption that Milan Direct and ZIZO were part of the group but excludes any costs associated with the acquisition and restructure of Milan Direct and ZIZO and any costs associated with the Group's IPO.

The group is nearing profitability

EBITDA \$'000



- As a result of revenue growth, improved margins and a lower cost base, the EBITDA position continues to improve as the Group pushes towards profitability
- Near break-even result for Q2 (EBITDA loss of \$150k)
- The Group is on track to reach profitability in CY18 with FY19 being our first full year of profit

EBITDA is a non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Company's performance. FY16 comparison is performed on a pro forma basis which includes the assumption that Milan Direct and ZIZO were part of the group but exclude any costs associated with the acquisition and restructure of Milan Direct and ZIZO and any costs associated with the Group's IPO.

Balance sheet & cash flow

A\$m

31-Dec-17

Cash & Cash Equivalents	8.8
Inventories	2.0
Other current assets	1.2
Intangibles, (inc. goodwill)	7.6
PPE	0.2
Total Assets	19.8

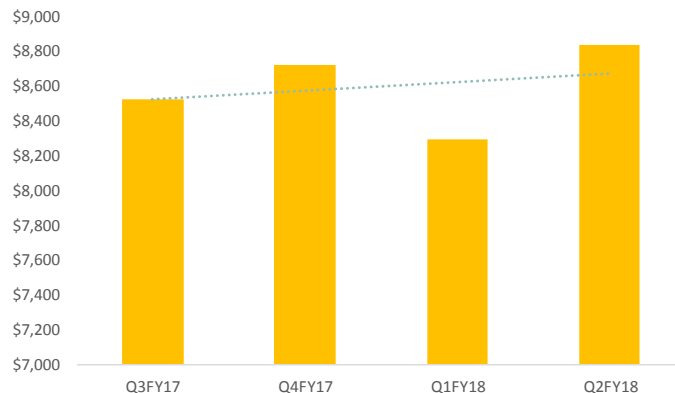
Trade and other payables	6.7
Employee accruals and provisions	1.5
Deferred revenue	2.0
Total Liabilities	10.2

Net Assets 9.6

Share Capital	76.6
Reserves	1.2
Retained earnings	(68.2)
Total Equity	9.6

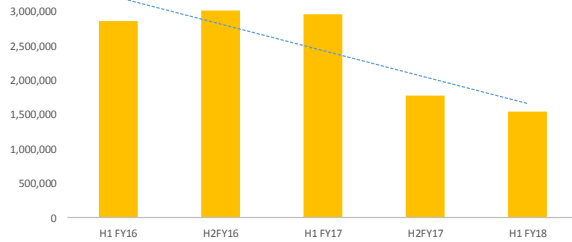
- Strong balance sheet position with no debt
- Cash balance stabilised between \$8m-\$9m over the past 4 quarters with H1FY18 cash flow positive

Closing Cash by Quarter (last 4 qtr's)



Inventory metrics continue to improve

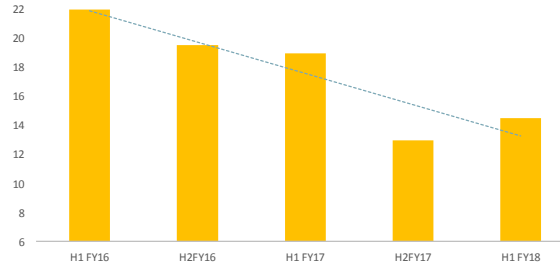
Average inventory



Although average inventory levels have reduced by ~50% YoY, owned inventory sales continue to track at ~20% of overall sales

Average inventory is calculated utilising the average for the half (excluding stock in transit).

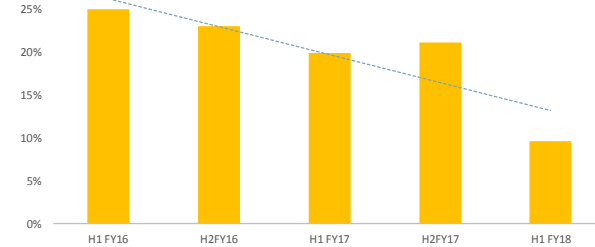
Weeks of cover



WOC has stabilized at 13-14 weeks (~4 stock turns)

WOC is calculated by dividing 3 months forward looking COGS (for owned inventory) by the closing inventory balance at the end of the half

Ageing profile



Stock on hand +6 months old continues to reduce as a % of total inventory

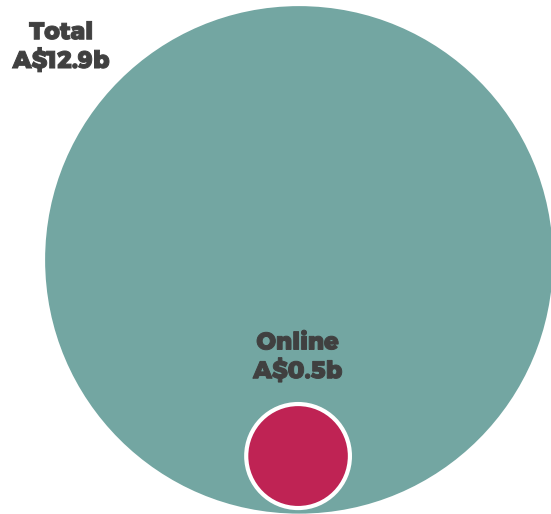
Ageing profile is calculated by taking the level of inventory older than 6 months at the end of each half divided by the total inventory at the end of each half (excluding stock in transit)

Strategy & Outlook



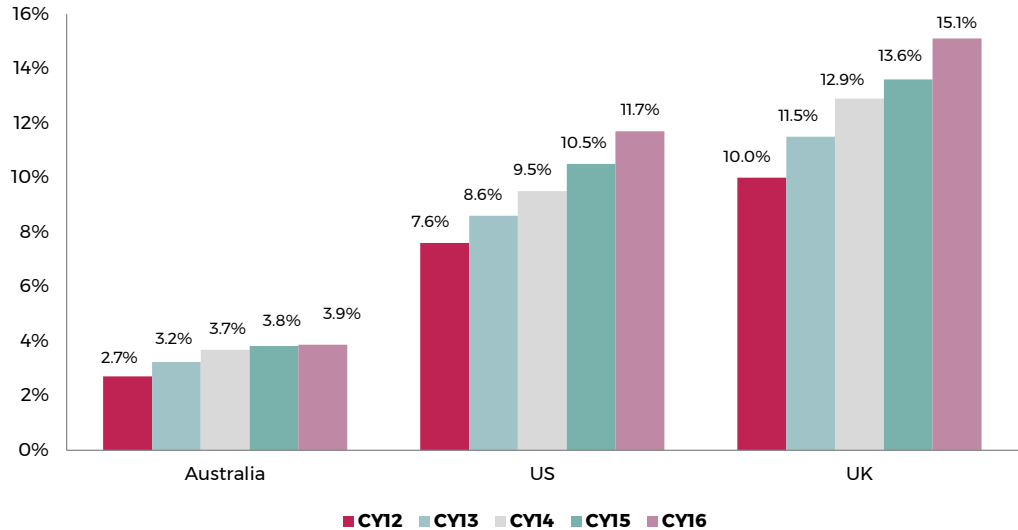
Our core furniture and homewares category is a \$12.9 billion dollar market, with only ~4% migrated online

Furniture and Homewares Market (AUS)



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2016 edition. Sales in 2016 in retail value (inc. sales tax), current terms, and is to scale. Historical Euromonitor data has been updated based on latest report, some minor changes to historical metrics are present in this year's graphs.

Furniture and homewares online penetration rates by country from CY12 to CY16.

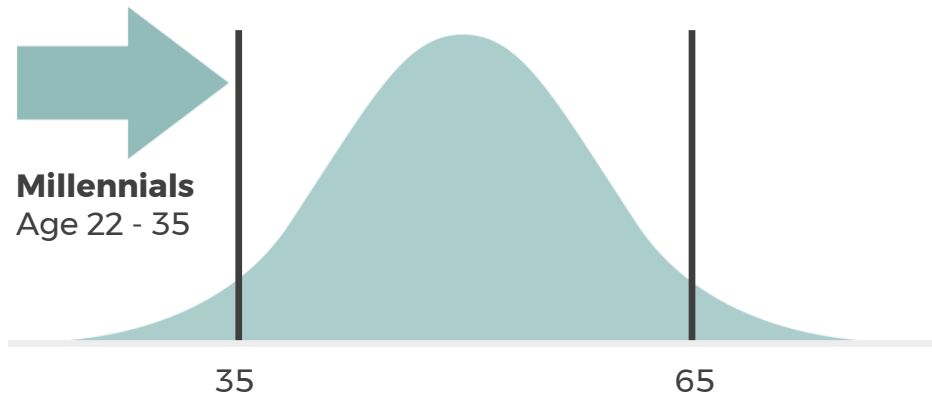


Source: Euromonitor International Limited; Home and Garden system 2016 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms. Historical Euromonitor data has been updated based on latest report, some minor changes to historical metrics are present in this year's graphs.

Demographic and structural changes will drive strong market growth for years to come

1 Millennials are now entering our core demographic

Hypothetical distribution of homewares and furniture spend by age



2 Structural changes in our favour

- New logistics entrants
eg. SingPost, Japan Post
- Faster internet and mobile speeds
eg. NBN, 5G
- New market entrants accelerating online shopping take-up
eg. Amazon
- New technologies improving experience and conversion
eg. augmented reality
- Offline exits/store closures

Our plan to grow our market leadership in the online furniture and homewares market

Add depth and breadth across our core categories, expand private label offering

Leverage scale to obtain cost advantage and exclusivity on new product ranges

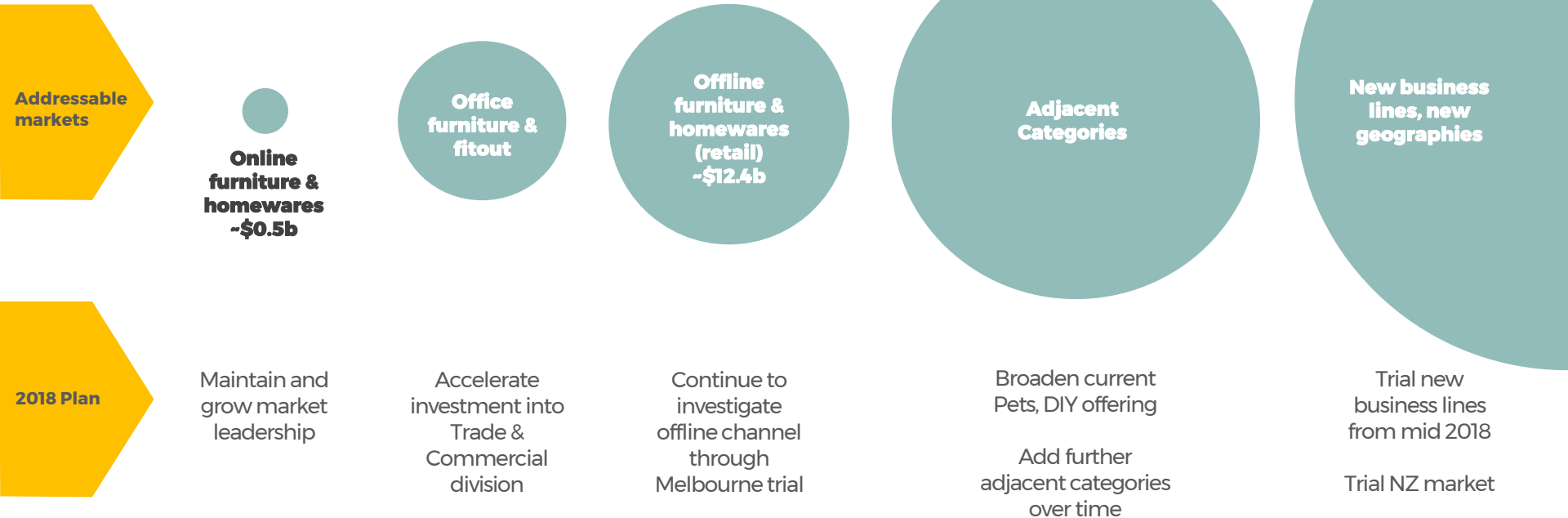
Increase brand awareness through digital and non-digital channels

Innovate our offering: image search, mobile apps, personalisation

Expand Click & Collect and own van trials to solve bulky delivery pain point

Add free design help for all customers (chat, voice, in-store, augmented reality)

We are setting the business up for future growth horizons



NB: Relative sizes of market opportunities are indicative only

Outlook

This calendar year has started well, with trading from 1 Jan to 15 Feb (unaudited) showing year on year revenue growth of 21%.

The Company remains confident that the current trajectory will deliver our plan of reaching profitability during CY18, with FY19 being the first full year of profit.



Q&A



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